

# PayFlex® Receives IRS Approval as a Non-Bank Custodian for its HSA Solution

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## IRS Approval of PayFlex® as a Non-Bank Custodian Differentiates the HealthHub® HSA Platform

### About PayFlex Systems USA, Inc.

PayFlex ([www.healthhub.com](http://www.healthhub.com)) is a leading nationwide solutions provider for employee benefit programs, with more than 20 years of experience. PayFlex provides a broad range of services to several thousand employers, including many Fortune 500 companies that employ several millions of employees. PayFlex services include health savings accounts (HSAs), flexible spending accounts (FSAs), health reimbursement arrangements (HRAs), wellness programs, exchange solutions, commuter, COBRA and direct billing, processing more than \$1 billion in transactions and over 14 million claims each year.

PayFlex recently launched the HealthHub platform, which uniquely links financial accounts, wellness and healthcare information into a central destination, tied to a single debit card and employee call center. HealthHub's suite of innovative tools, such as incentive-based wellness program support and mobile functionality, are designed to engage, educate and empower account holders.

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**Omaha, Neb.—June 14, 2011**—PayFlex Systems USA, Inc., a leading technology enabled solutions provider for employee benefit programs, today announced that it has been approved by the Internal Revenue Service (IRS) to serve as a non-bank custodian and trustee for Health Savings Accounts and other accounts which are required to be held only by IRS-approved custodians. PayFlex uses the HealthHub platform as an effective system for providing individual account record keeping, management, and administration for Health Savings Accounts. Approval by the IRS to be a non-bank custodian requires a rigorous IRS analysis of a company's fiduciary experience, its processes for accounting, fund management and security, as well as other capabilities necessary to assume the responsibilities of a custodian bank. PayFlex fulfilled these requirements based on its nearly 25 years of experience, and unique expertise in accounting, reconciliation, transferring of funds and the overall management of account-based health plans.

"This IRS approval is a differentiator within our industry and not only validates PayFlex's proven capabilities as a trusted source in the HSA market, it quite frankly embraces our vision of being the most innovative solution while we maintain a keen focus on security and compliance," said Robert L. Natt, Chief Executive Officer of PayFlex. "Our employer clients need solutions they can rely on and trust and that also feature innovative engagement tools for their respective employees. This approval by the IRS to serve as a custodian further validates our commitment to meet those needs."

### HSA Growth and Adoption are Rapidly Increasing

The latest industry statistics demonstrate that HSAs and High Deductible Health Plan models are growing at a fast pace, with over 6.6 million Americans now utilizing an HSA as their primary choice. Americans are increasingly adopting account-based health plans, as well as taking more ownership with their healthcare dollars. The HSA is a perfect vehicle for people to manage those dollars and as they become more educated, they expect more innovative, engaging solutions to be offered by their employers.

The first generation HSA solutions offered very little in the way of choice or effective ways to engage employees. To address this growing need, the HealthHub HSA, powered by PayFlex, delivers a comprehensive, innovative solution to employers, while helping them effectively drive participant engagement.

"Our employees at First Data Corporation utilize the HealthHub solution for administration of our account-based programs and I am very pleased with not only the new innovations and this latest IRS approval, but the overall service that PayFlex provides to our employees," said Stephanie Pulverenti, Vice President, Health & Life Benefits for First Data Corp. "The solid level of service our participants receive from PayFlex gives me confidence to continue to grow our partnership with them and continue to look to adopt new engaging solutions."

### PayFlex® HSA Model Enhances Account Flexibility and Control

PayFlex's current HSA solution offers a highly competitive interest rate and a broad array of mutual fund investment options. Additionally, HealthHub HSA's open architecture allows PayFlex to easily connect with any willing financial institution for HSA deposits or any health plan for deductible and claims information. This allows PayFlex the flexibility to identify partners that maximize value to our clients and their employees. The flexible platform allows PayFlex to power market leading customized solutions for employers and strategic partners. PayFlex helps banks control the movement of account funds between individuals, carriers and employers, so financial institutions can focus on their core custodial competencies.

"The wider adoption of HSAs is coming," added Natt, "and we firmly believe the consumer centric models aimed at providing simplicity, choice, and modern media technology will be the most appealing solutions desired by the employer HR community. Our strategy is to feature those types of innovative HSA solutions all on one platform, supported by one debit card and one call center."

In the HealthHub HSA model, organizations can maximize returns on deposits, allow participants to open accounts in minutes instead of days, as well as mitigate and resolve the most common health account contribution issues. An expert in tax-advantaged account solutions since 1986, PayFlex offers a one-stop solution for HSAs and other account-based health plans, providing an account investment platform, payment solution, easy-to-use web interface, debit card for accessing account funds, IRS compliance expertise, and call center support.



# PayFlex Named Non-Bank Custodian

## Frequently Asked Questions

### **Who is qualified to act as an HSA custodian?**

Any insurance company or any bank can be an HSA trustee or custodian. Any other entity already approved by the IRS to be a trustee or custodian of IRAs or Archer MSAs is automatically approved to be an HSA trustee or custodian.

### **What is a non-bank HSA custodian?**

A non-bank trustee or non-bank custodian is an entity that is permitted to serve as a trustee or custodian for Health Savings Accounts and is neither a bank nor an insurance company.

### **How did PayFlex obtain the Internal Revenue Service (IRS) designation as a non-bank HSA custodian?**

PayFlex obtained IRS' non-bank HSA custodian designation by demonstrating the ability to act within the accepted rules of fiduciary conduct, assuring the uninterrupted performance of required duties and by exhibiting a high degree of solvency. In addition, PayFlex was required to demonstrate that we have the experience and competence in accounting, processing and recordkeeping for large numbers of individual participants.

### **Why did PayFlex seek to be designated as a non-bank HSA custodian?**

PayFlex sought a non-bank HSA custodian designation to show our commitment to offering HSA solutions that clients are comfortable offering and participants are assured that their accounts will be administered in a secure environment.

### **How does this designation benefit PayFlex's clients and participants?**

The non-bank custodian designation benefits PayFlex's clients and participants by ensuring that participants' HSA accounts are being handled in a safe, secure and highly controlled environment. This also allows us to control where the funds are deposited.

### **How does the ability to control where HSA funds are deposited benefit PayFlex's clients and participants?**

Having the ability to control where HSA funds are deposited means that PayFlex can insure a uniform experience and sustained ability for earning competitive returns for our account holders without the need for PayFlex to switch HSA providers or offer multiple solutions, therefore, eliminating any disruption for our account holders.

### **How does this make PayFlex different than other HSA providers?**

This designation differentiates PayFlex from other HSA providers in that it allows us to continue to deliver an innovative health savings account solution that is not tied to any one specific financial institution.

### **How does this designation impact PayFlex's current HSA offering?**

We are not making any changes to our HSA solution at this time.

